



A High-Yield Dividend Stock I'd Buy Today

Description

Investing in dividend-paying companies just because they [pay high dividends](#) is not a wise strategy.

If you are on a hunt for stocks that pay better-than-average returns, then you need to look for candidates that have sustainable cash flows, track records of dividend payments, and manageable debt loads.

You also need to make sure your targets are not facing a situation that can turn into a calamity for your invested dollars. Often, companies with a greater market share and a predictable revenue stream can sustain high dividends for a longer period of times than weaker players.

First National Financial Corp. (TSX:FN) is a high-yielding dividend stock that you might find suitable for your long-term income portfolio. Let us take a deeper look.

Market position

First National is an alternative mortgage lender, which is fast growing in a market jolted by the near collapse of **Home Capital Group Inc.** this spring.

The lender has become Canada's largest non-bank originator and underwriter of mortgages and is among the top three in market share in the mortgage broker distribution channel.

Investors are generally not excited to invest in Canadian non-bank capital providers at a time when the government is [intervening aggressively](#) to cool down housing markets in the nation's two largest cities, Toronto and Vancouver.

That intervention has led to more stringent eligibility requirements for mortgage seekers and a 15% tax on foreign buyers.

But even after more than 20% price correction in the Toronto housing market this spring, we are not seeing widespread panic as housing demand remains strong, and widespread delinquencies are nowhere to be seen.

First National seems to be growing its business in this very challenging environment. Its mortgages under management crossed \$100 billion in the third quarter, up 2% when compared to the Sept. 30 level.

During the same period, First National posted a 4% jump in revenue and 14% rise in the net income when compared to same period a year ago. For investors who remained upbeat on the company's future, there was a positive surprise as well.

First National announced a special common share dividend of \$1.25 per share while announcing its third-quarter earnings last month. The dividend is payable on December 15 to shareholders of record on November 30.

"This payment reflects the board's determination that the company has generated excess capital in the past several years and that the capital needed for near-term growth can be generated from current operations," the company said in the statement.

With a dividend yield of 6.29%, First National stock pays \$0.1542 a share monthly dividend, which comes to \$1.85 on yearly basis. This payout has grown more than 42% during the past five years, which is pretty impressive dividend growth.

Investor takeaway

With a 12-month trailing price-to-earnings multiple of 7.63, First National stock looks cheap to me. I think the stock has more room to gain, even after its 9% jump this year, as investors realize the strength of the Canadian housing demand, and the market gets used to the new mortgage regulations.

I would feel comfortable adding this top non-bank lender to my income-producing portfolio.

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Author

hanwar

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